

COUNTY OF ERIE
LOCAL LAW NO. 2 - 2000
LOCAL LAW INTRO. NO. 3 -2000

RECEIVED
ERIE COUNTY LEGISLATURE

2000 APR -3 A 10: 37

A LOCAL LAW authorizing the creation by the County of Erie of a local development corporation and the sale by the County to such corporation of the County's rights to receive payments under the Master Settlement Agreement with various tobacco companies and the related Consent Decree and Final Judgment.

BE IT ENACTED BY THE ERIE COUNTY LEGISLATURE AS FOLLOWS:

Section 1. Legislative intent.

A. The County of Erie is entitled to receive payments under the Master Settlement Agreement entered into on November 23, 1998 among the attorneys general of 46 states and six other United States jurisdictions and the four largest United States tobacco manufacturers (herinafter, the "MSA") and the Consent Decree and Final Judgment of the Supreme Court of the State of New York, County of New York, dated December 23, 1998 (hereinafter, as the same may be amended or modified, the "Decree") in the class action entitled State of New York et al. v. Philip Morris Incorporated, et. al. (Index No. 400361/97); and

B. In order to secure to present generations a portion of the benefits intended to be conferred by the MSA and the Decree, and thereby provide a source of financing for financial support payments by the County to the Erie County Medical Center ("ECMC") and to further certain other County purposes, it is necessary or desirable for the County to sell its rights, title and interest in and to all of the monies to become payable to the County under the MSA and the Decree (the "Tobacco Asset") in order to facilitate the securitization of the Tobacco Asset; and

C. In order to provide the financing structure for such securitization and a source of financing for certain County financial support obligations to the ECMC and other present and future County purposes, while protecting the County's existing credit ratings, it is necessary or desirable for the County to sell such rights, title and interest to a local development corporation to be created by the County pursuant to the New York Not-For-Profit Corporation Law (the "Erie Tobacco Asset Securitization Corporation" or "ETASC"), with the powers to acquire such rights, title and interest, to issue bonds, notes and other evidence of indebtedness and incur other obligations, to create a business trust under the laws of the State of Delaware (the "Residual Trust") and assign and deliver to the Residual Trust the monies to become payable to the County under the MSA and the Decree in excess of the amounts necessary to pay debt service on such bonds, notes and other evidence of indebtedness, the expenses of ETASC, the expenses of the trustee which is a party to the indenture of trust with ETASC authorizing the issuance of such bonds, notes and other evidence of indebtedness (the "Indenture"), any amounts necessary to maintain the reserve funds required by the Indenture to be maintained, and certain other ancillary pecuniary obligations, and to take all other actions as may be necessary, convenient or desirable in furtherance of its powers, in exchange for the net proceeds of the securitization of the Tobacco Asset and certain residual rights, including the right to receive the net proceeds of future securitizations, if any, of the Tobacco Asset.

Section 2. Creation of local development corporation. The County Executive and/or his designee(s) are hereby authorized to take all actions necessary to create the ETASC pursuant to Section 1411 of the New York Not-For-Profit Corporation Law. The ETASC shall be created for the purposes and shall exercise and

perform the powers described in Section 1 hereof, in accordance with the provisions of the Certificate of Incorporation of the ETASC. The ETASC shall have three directors. Two directors shall be appointed by the County Executive. The third director shall be appointed jointly by the other two directors and shall be independent of the County in accordance with the provisions of the Certificate of Incorporation of the ETASC.

Section 3. Sale of Tobacco Asset. The sale by the County to the ETASC of the County's rights, title and interest in and to all of the Tobacco Asset, without recourse, is hereby authorized in exchange for the delivery, to or upon the order of the County, of (i) the net proceeds of the initial issuance of bonds by the ETASC contemporaneously with such sale (the "ETASC Bonds") after (A) payment of all costs, fees, credit and liquidity enhancements, costs of issuance, and other expenses of the ETASC and (B) the funding of all reserves funds, debt service accounts for the payment of capitalized interest, and other pledged funds which may be necessary or desirable in connection with the issuance of the ETASC Bonds and (ii) the undivided beneficial interest in the Residual Trust, and upon such other terms and conditions as are set forth in the proposed Purchase and Sale Agreement between the ETASC, as purchaser, and the County, as seller, in substantially the form presented to the Legislature (the "Sale Agreement").

Section 4. Approval of Sale Agreement. The form and substance of the Sale Agreement, substantially in the form presented to the members of the Legislature at this meeting, is hereby approved.

Section 5. Execution and delivery of Sale Agreement. The execution and delivery on behalf of and in the name of the County by the County Executive and/or his designee(s) of the Sale Agreement, substantially in the form presented to the members

of the Legislature at this meeting, is hereby authorized and directed, with such changes therein as the County Executive and/or his designee(s) may approve, and the execution and delivery of such agreement shall be conclusive evidence of his approval of any such changes and of the authorization and direction thereof by this Legislature.

Section 6. Approval of MSA and Decree. The County hereby approves the terms and conditions of the MSA and the Decree.

Section 7. Further actions. The County Executive and/or his designee(s) are hereby further authorized to execute and deliver, on behalf of the County, such other agreements, instruments or authorizations as may be contemplated by, or necessary or advisable to consummate or otherwise give full effect to, the Sale Agreement and this Local Law, and which are deemed necessary or desirable to effectuate the transactions contemplated by the Sale Agreement and this Local Law, and to perform all acts and do all things required or contemplated to be performed or done by the Sale Agreement or by this Local Law or by any agreement, instrument or authorization approved, contemplated or authorized hereby.

Section 8. County pledge. The County hereby pledges to and agrees with the ETASC and the holders of any bonds, notes and other obligations of the ETASC (hereinafter the "Obligations"), including without limitation the ETASC Bonds, that the County will not alter, limit or impair the rights of the ETASC to fulfill the terms of its agreements with such holders, or in any way impair the rights and remedies of such holders or the security for the Obligations, until the Obligations, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged and such agreements are fully performed on the part of the ETASC. The Legislature hereby further delegates to

the County Executive and/or his designee(s) the power to make, ratify and confirm such pledge to and agreement with the ETASC and the holders of its Obligations and to take any and all actions necessary or desirable to cause such pledge to and agreement with the ETASC and the holders of its Obligations to be made or enforced. The ETASC is hereby authorized to include in any agreement with or for the benefit of the holders of its Obligations the pledges and agreements made by the Legislature and by the County Executive and/or his designee(s) on behalf of the County pursuant to this Section. The County agrees that as a member of the class of releasing parties under the Decree it is bound by the terms and conditions of the MSA and the Decree and will not take any action inconsistent therewith.

Section 9. Effective date. This Local Law shall be effective immediately upon filing with the Secretary of State pursuant with Section 27 of the New York Municipal Home Rule Law.

H:\Docs\Local Law_re ETASC and Asset Sale.doc

FREDERICK J. MARSHALL
Erie County Legislator
13th District

DALE W. LARSON
Erie County Legislator
17th District

JOHN W. GREENAN
Erie County Legislator
9th District

JEANNE Z. CHASE
Erie County Legislator
12th District